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UNCLAS ROME 001742

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FROM THE U.S. MISSION TO THE UN AGENCIES IN ROME

STATE FOR IO/EDA KOTOK AND BEHREND, NEA/ENA, OES/ENV  
USAID FOR DCHA, OFDA GOTTLIEB, MMARX  
USDA FOR FAS HUGHES AND REICH  
GENEVA FOR NKYLOH/USAID

E.O. 12958: N/A

TAGS: [AORC](#) [EAID](#) [EAGR](#) [SENV](#) [XI](#) [XY](#) [UN](#) [FAO](#) [IRAQI](#) [FREEDOM](#)

SUBJECT: FAO FINANCE COMMITTEE: FAO ACTIVITIES IN IRAQ

1. Summary: At a May 11, 2005, FAO Finance Committee meeting of the UN Food and Agriculture Organization (FAO), Henri Carsalade, Assistant Director General for Technical Cooperation, provided an overview of current FAO activities in Iraq. US Deputy Permrep, coordinating with Kuwait as Near East Group chair, had requested the briefing after Iraqi Permrep requested our assistance in achieving more transparency in FAO's use of funds earmarked for Iraq. FAO, Carsalade noted, is implementing six programs approved by the United Nations Development Group (UNDG) Iraq Trust Fund valued at \$60 million to rehabilitate the irrigation sector, restore veterinary/livestock services and introduce small scale income-generating activities. Another \$60 million tranche of projects is expected to be approved in September. A detailed description of these projects follows. End Summary.

2. Carsalade elaborated that in Iraq FAO is implementing six projects under the UN Strategy for Assistance to Iraq, coordinated by the United Nations Assistance Mission to Iraq (UNAMI), through the newly established UN "Clusters" framework that fosters a new way for UN agencies to collaborate together on joint programming to help Iraq. Project proposals and funding are approved by the Cluster and performance is judged as a whole. Out of the 11 Clusters, FAO has been designated as the lead UN agency for Cluster 5--Agriculture, Water Resources and Environment--in partnership with UNESCO, UNIDO, UNDP, WFP, UNEP, UNICEF and ILO. FAO provides the Cluster Manager, who oversees all operations carried out by Cluster members. Due to the security situation in Iraq, the Cluster Manager and his five international staff are based in Amman, Jordan, where program operations are managed with rotations by FAO staff from Rome. (The FAO Technical Cooperation Program's Special Emergency Programmes Division remotely manages projects in countries such as Iraq, North Korea, Palestine, and Somalia where FAO has no representation. Generally, these projects deal with the transition from an emergency situation phase to long-term rehabilitation.)

3. FAO is implementing six projects approved by the United Nations Development Group (UNDG) Iraq Trust Fund valued at \$60 million. To date, FAO has received \$36.3 million of the resources allocated for these projects. As of May 11, approximately \$23 million has been spent and committed, with another \$11 million of new tenders under preparation and \$2.2 million worth of training under implementation. The projects and their respective costs are listed below:

A) Improvement of Drainage Conditions in Major Agricultural Areas (\$5.4 million);  
B) Improvement of Water Supply and Drainage Provision through the Rehabilitation of Pumping Stations (\$13.4 million);  
C) Assessment, Emergency Maintenance and Rehabilitation of Community Irrigation Schemes and Restoration of Water Supply in Rural Areas (\$16.9 million);  
D) Restoration of Veterinary Services (\$10.5 million);  
E) Restoration and Development of Essential Livestock Services (\$8.5 million); and  
F) Promotion of Cottage Industry in Rural and Urban Areas (\$5.0 million jointly implemented by FAO and UNIDO).

Of the \$60 million, Projects A-E (\$55 million) are funded directly via FAO, while project F is funded via UNIDO.

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A) Improvement of Drainage Conditions in Major Agricultural Areas  
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4. This project aims to widen and deepen drainage canals in order to improve agricultural production around the Euphrates watershed. It was originally set to begin in August 2004 in Fallujah, but the failure of Iraqi

authorities to provide the technical dossier for the contract forced a relocation of the project to Hillah. Despite the delay, a feasibility study currently underway will be completed on June 25, with tenders to be issued to the Iraqi contractor on July 20. The project will be completed by its original end date in June 2006.

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B) Rehabilitation of Water Pumping Stations  
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15. Approximately 175 antiquated (> 30 years old) water pumping stations across the country are slated for rehabilitation. FAO originally targeted to rehabilitate 12 stations, but, due to the high cost of repairing such outdated pumps, it will only be able to repair six. The first to be rehabilitated is in Kirkuk, with the contract to be issued on May 20. However, FAO reports the supplier may delay services due to the current security situation. The project completion date is set for July 2006.

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C) Rehabilitation of Community Irrigation Schemes  
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16. This project to assist farmers with rehabilitating or replacing water systems and provide complementary agricultural inputs began with feasibility studies in January 2005. Nearly \$300,000 has been spent on surveying equipment to allow for better feasibility studies on irrigation schemes covering areas from 300-400 hectares to over 50,000 hectares. Contracts will be issued in summer 2005.

17. Approximately \$1 million has been dedicated for training local staff to manage the three aforementioned rehabilitation projects. USAID, Japan International Cooperation Agency (JICA) and UNESCO are conducting similar training in water resources management, and FAO has agreed to take the lead on coordinating training to avoid a duplication of efforts and focus on filling in gaps.

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D) Rehabilitation of Veterinary Services  
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18. With the aim of rebuilding capacity to combat and control animal diseases, according to FAO, this has been the most successful project to date. It has fostered cooperation among several regional donors, including Kuwait. These donors consider rehabilitating veterinary services a priority due to the north-south migratory patterns of livestock and the risks posed to spreading disease at trading posts, affecting not only Iraq but the rest of the Arabian Peninsula. Veterinary equipment has been procured and training workshops have begun. Of the \$8.5 million allocated, \$5 million has been received.

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E) Rehabilitation of Livestock Services  
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19. This project aims to rehabilitate Iraq's national breeding capacity through the procurement of equipment and training for artificial insemination of cattle. On May 17, FAO will begin its first artificial insemination training seminar for Iraqi nationals. Of the \$10.5 allocated, \$3 million has been received.

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F) Promotion of Cottage Industry  
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10. Funded mainly by the Italian Government, FAO and the United Nations Industrial Development Organization (UNIDO) are jointly implementing this project to support the cottage industry in Nassiriyah. FAO is concentrating on developing small-scale income-generation activities relating to food (dairy and fresh fish, for example), while UNIDO is concentrating on non-food activities. On May 14, FAO began hosting a three-week "Train-the-Trainer" course in Morocco for 23 Iraqi nationals who will return to Nassiriyah to act as focal points. FAO plans to provide the beneficiaries with equipment to jumpstart the industries, and is currently in discussions with authorities on the roll out plan.

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Other Projects in the Pipeline  
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11. In support of Iraq's own National Development Strategy, FAO is collaborating on developing a series of new projects:

--Rehabilitation and Development of the National Seed Industry (\$5.1 million), which is highest on the Iraqi Ministry of Agriculture's list of priorities;  
--Restoration and Modernization of Fish Production (\$6.5 million); and  
--National Water Resources Master Plan (\$6 million)

12. In addition, two employment generation projects are being formulated:

--Creation of Date Palm Nurseries; and  
--Local Cleaning and Repair of Irrigation Canals. Over 1,000 kilometers worth of canals need to be cleaned by hand; project costs could skyrocket to \$20 million due to the vast area to be covered; thus, FAO is determining how to limit the proposal.

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Implementation of Projects and Associated Issues  
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13. FAO has a presence of six staff, the Cluster Manager and five international staff, based in Amman, Jordan (ref. Para 2), where it remotely manages all its projects in Iraq. The UN has set a cap of 250 UN personnel in Amman. FAO believes its six personnel are not sufficient to deal with the magnitude of agricultural and water projects, and shifts staff from Rome to Amman so as not to go above the allotted six. FAO staff report there is momentum in the UN to reduce the number of Clusters and redistribute their respective number of personnel.

14. To minimize procurement costs, procurement services are conducted by FAO in Rome. To minimize other project cost risks, FAO uses a consulting firm based in Amman to verify proposals and analyses conducted by suppliers who are bidding to render services. Additional problems affecting implementation include security-related delays or inabilities to conduct site visits (ref. Para 5); frequent revisions by Iraqi authorities on the technical requirements; and difficulty in recruiting local staff of an acceptable professional level.

15. Lastly, a specific implementation problem relates to the non-release by the UNDG Iraq Trust Fund of resources required for implementing approved veterinary and livestock projects. On May 17, FAO Special Emergency Programmes staff wrote to the UNDG Iraq Trust Fund to release these funds, otherwise there is a risk of a pipeline break in services.

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Future Funding  
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16. Additional funding for rural development is expected to be available from the European Community. A significant replenishment of the UNDG Iraq Trust Fund - Carsalade estimated another \$60 million -- is also expected following the next donor meeting in July or September 2005. In the interim, FAO is seeking support from other donors for projects already formulated.

17. Baghdad on minimize considered.

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2005ROME01742 - Classification: UNCLASSIFIED